



Helping Small Systems Comply With the Safe Drinking Water Act

The Role of Restructuring



Providing Safe, Affordable Drinking Water...

If you are reading this, chances are you know of small drinking water systems that are between a rock and a hard place. They are trying to figure out how to stay in compliance with increasingly complex Safe Drinking Water Act (SDWA) requirements without charging more than their customers can afford.

Requires Doing Business Differently...

Many small systems are able to provide excellent service at a reasonable cost. However, small systems facing compliance and financial difficulties over the long term may want to restructure their ownership or operations. Restructuring solutions can be as simple as several systems sharing a certified operator or as ambitious as the creation of a regional water authority.

And Making a Team Effort.

Successful restructuring takes team work. Careful planning is required to bring water systems, technical assistance providers, regulators, and consumers together in a coalition that can address everyone's needs.

This brochure answers some of the most commonly asked questions about restructuring and provides sources of additional information.



Q: WHAT IS RESTRUCTURING?

A: Restructuring is the adoption of management and/or ownership changes that help a drinking water system address new responsibilities and increased costs.

Systems can restructure in a variety of ways. For example:

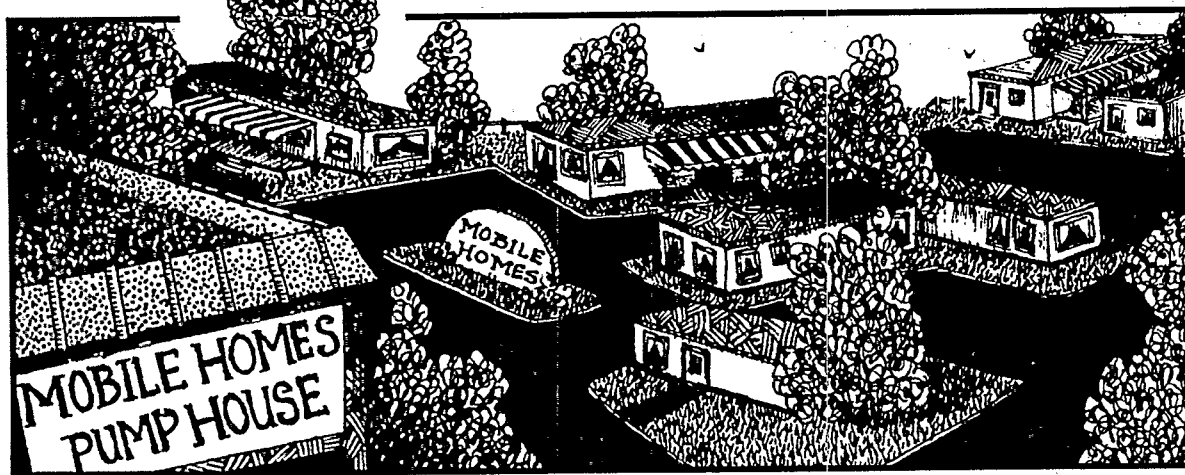
- Groups of small systems can buy and share services together.
- Systems can contract with a private company or larger water system to receive services such as operation and maintenance, meter reading and billing, and sample collection and analysis.
- A small system can merge with or be bought out by a larger one. Systems may be physically connected following this kind of restructuring, but they don't have to be.
- Small privately owned systems can restructure into a non-profit cooperative or public service district and become eligible for federal and state grants and loans.

Q: WHAT ARE THE BENEFITS OF RESTRUCTURING?

A: The primary benefit is economic. Restructuring can give small system operators access to technical, managerial and financial resources they could not afford on their own.

Systems who make management changes through restructuring may also benefit from:

- ability to make necessary investments in facilities and personnel
- more reliable and better quality service
- larger rate base
- access to grant and loan programs
- improved ability to stay in compliance
- long-term savings on increasing monitoring, treatment and operation costs



Q: WON'T WATER RATES INCREASE DUE TO RESTRUCTURING?

A: Water rates are increasing for everyone—small systems may be able to minimize big increases by restructuring.

Changes made to the Safe Drinking Water Act in 1986 are improving health protection. In 1986, EPA required water systems to meet standards for only 22 contaminants. Today, systems must comply with standards for more than 80 different substances including micro-organisms and chemical by-products of various industrial and agricultural practices.

These new requirements mean new testing and analysis expenses for all systems and increased water treatment costs for many. Small systems will be hardest hit because they have fewer customers to share the costs. For example, additional water testing costs of \$5,000 per year would mean \$200 per family served by a system with only 25 connections. However, for a larger system of 2,000 connections the same \$5,000 expense would amount to only \$2.50 per family.

Q: DOES RESTRUCTURING MEAN LOSS OF LOCAL CONTROL?

A: No, not necessarily. Some restructuring options enable systems to remain independently owned and operated.

Local control is a very important issue to consider in choosing whether or not to restructure. Some restructuring options, such as contracting for operation and maintenance services or cooperative buying, allow for a great deal of local control. These options are also useful to consider when it is not possible or not desirable to physically interconnect separate systems. Other types of restructuring, such as formation of a public service district, allow for less local control but may give a system access to grants and low interest loans. The State drinking water program, technical assistance providers and others can help an individual system decide on the best option.

Satellite Management Success Story

Shortly after Congress passed the Safe Drinking Water Act Amendments of 1986, the mayor and city council of Rolesville, North Carolina knew the cost of providing water to the town's 714 residents was on its way up.

The town would need a trained operator who could devote more time to running the 256 connection system than did the current operator, who had many other duties as well. But, town officials knew, the cost of training, wages, and fringe benefits was unaffordable.

Contract operations and maintenance (O&M) was the only option the town had, felt the mayor. He presented the town council with a proposal to hire Crosby Water and Sewer Inc. in nearby Wake Forest to run the system. The council agreed in late 1987.

Crosby Water and Sewer maintains Rolesville's wells, tests water quality, installs and reads meters. The company also advises town officials on water system improvements and other water related issues, all for \$8,500 to \$9,500 a year. That's less than even a part-time trained operator would cost, according to the mayor.

The benefits of contract O&M were not long in coming to Rolesville, officials note. During the first year that Crosby operated the system, the company's operational expertise helped reduce by 75 percent town's use of chemicals to treat water.

Q: IS RESTRUCTURING THE ANSWER FOR SMALL SYSTEMS?

A: No. Small systems facing compliance problems over the long term will need a mixture of solutions.

Every small system's situation is different. Its needs and the practicality of meeting those needs through restructuring will vary depending on:

- Local water quality
- Nature and cost of required improvements
- Current user costs and customer ability to pay
- Geography and distance between systems
- Availability of grants and loans
- Availability of technical assistance
- Local political considerations.

In many cases, restructuring won't solve all the problems. In addition to restructuring systems should also consider:

- Improving their management and operations through training and technical assistance;
- Finding out what flexibility the state drinking water program can offer...for example, some states may be willing to require less frequent monitoring in certain circumstances;
- Utilizing appropriate low-cost technology if increased treatment is necessary;
- Educating customers about new requirements, increased health protection and rising costs.

Consolidation Creates a Regional System

Consolidating numerous non-viable drinking water systems into a single, viable one can make system improvements affordable and ensure the provision of safe drinking water. That's what happened north of Lakeport, California, where 51 small water systems and 500 individual connections were formed into a single water system in December 1990.

Prior to consolidation, 80 percent of the area's small systems were having trouble meeting water quality standards. Both the ground water and Clear Lake were poor sources of supply.

Residents complained about the water, and a juvenile hall in the area was having severe water quality problems. Development of a 100-unit subdivision was threatened when the developer's well went dry after only 8 houses were completed. The county wanted to build a jail in the area, but couldn't without adequate water.

A county-sponsored feasibility study considered eight options, including creation of a regional water system. Although some residents faced water bill increases of \$12 a month, voters approved the formation of a County Service Area and decided to build a new modern treatment facility.

Q: WHO IS ABLE TO HELP SYSTEMS WITH RESTRUCTURING?

A: Small systems have limited resources — time, manpower, equipment, parts, inventory, and knowledge. Restructuring can sometimes help to compensate for these limitations but it does require careful upfront planning. The following organizations are interested and knowledgeable about drinking water systems restructuring and can help a system find a local source of assistance.

American Water Works Association (AWWA), Small System Department,
6666 West Quincy Avenue, Denver, CO 80235. (303) 794-7711.

National Rural Water Association (NRWA), 2915 South Thirteenth Street,
P.O. Box 1428, Duncan, OK 73534. (405) 252-0629.

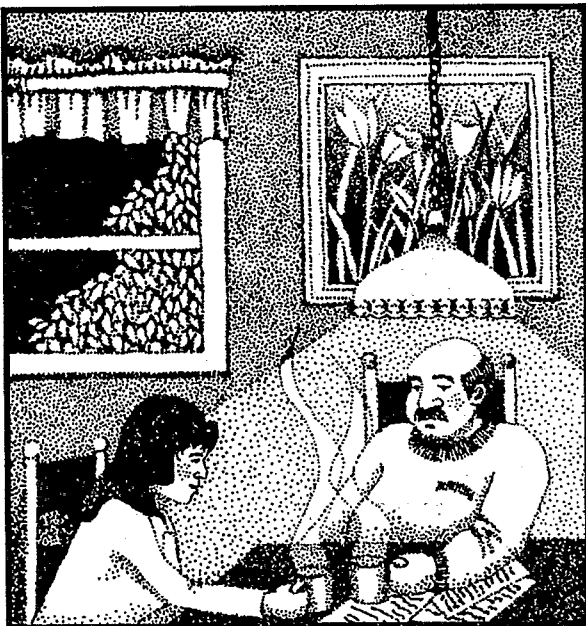
Rural Community Assistance Program (RCAP), 602 S. King Street, Suite 402,
Leesburg, VA 22075. (703) 771-8636.

State drinking water program staff and EPA Drinking Water Mobilization Coordinators can also facilitate restructuring efforts. The SDWA Hotline (800-426-4791) can identify the appropriate contact in your area.

Q: WHERE CAN I GET MORE INFORMATION?

A: The EPA Office of Water recently published a restructuring manual.

The *Restructuring Manual* (EPA570/9-91-035) covers different types of restructuring options and discusses some of the most commonly encountered problems that can slow or stop a restructuring effort. It is available from the EPA Safe Drinking Water Hotline (1-800-426-4791) or the Office of Ground Water and Drinking Water Resource Center, USEPA, 401 M St. SW, Washington, DC 20460.





**Safe Drinking Water
Hotline
(800) 426-4791**

U.S. Environmental Protection Agency Drinking Water Programs

For More Information, contact the office that represents your state

EPA Region 1

GW Mngt./Water Supply Branch
John F. Kennedy Federal Building
Boston, MA 02203
(617) 565-3610
*Connecticut, Maine,
Massachusetts, Rhode Island,
New Hampshire, Vermont*

EPA Region 6

Water Supply Branch
1445 Ross Avenue
12th Floor, Suite 1200
Dallas, TX 75270
(214) 655-7155
*Arkansas, Louisiana, New Mexico,
Oklahoma, Texas*

EPA Region 2

D/G Water Protection Branch
26 Federal Plaza
New York, NY 10278
(212) 264-1800
*New York, New Jersey,
Puerto Rico, Virgin Islands*

EPA Region 7

Drinking Water Branch
726 Minnesota Avenue
Kansas City, KS 66101
(913) 551-7032
*Iowa, Kansas,
Missouri, Nebraska*

EPA Region 3

D/G Water Protection Branch
841 Chestnut Building
Philadelphia, PA 19107
(215) 597-8227
*District of Columbia, Maryland,
Pennsylvania, Virginia,
West Virginia*

EPA Region 8

Drinking Water Branch
999 18th Street, Suite 500
Denver, CO 80202
(303) 293-1413
*Colorado, Montana,
North Dakota, South Dakota,
Utah, Wyoming*

EPA Region 4

Municipal Facilities Branch
345 Courtland Street, N.E.
Atlanta, GA 30365
(404) 347-2913
*Alabama, Florida, Georgia,
Kentucky, Mississippi,
North Carolina, South Carolina,
Tennessee*

EPA Region 9

D/G Water Protection Branch
75 Hawthorne Street
San Francisco, CA 94105
(415) 744-2250
*Arizona, California, Hawaii,
Nevada, American Samoa,
Guam*

EPA Region 5

Safe Drinking Water Branch
77 West Jackson Blvd.
Chicago, IL 60604
(312) 886-6197
*Illinois, Indiana, Minnesota,
Michigan, Ohio, Wisconsin*

EPA Region 10

Drinking Water Branch
1200 Sixth Avenue
Seattle, WA 98101
(206) 553-6648
*Alaska, Idaho,
Oregon, Washington*